

**STRICTLY CONFIDENTIAL (FR) CLASS II-FOMC**

*Financial Indicators*

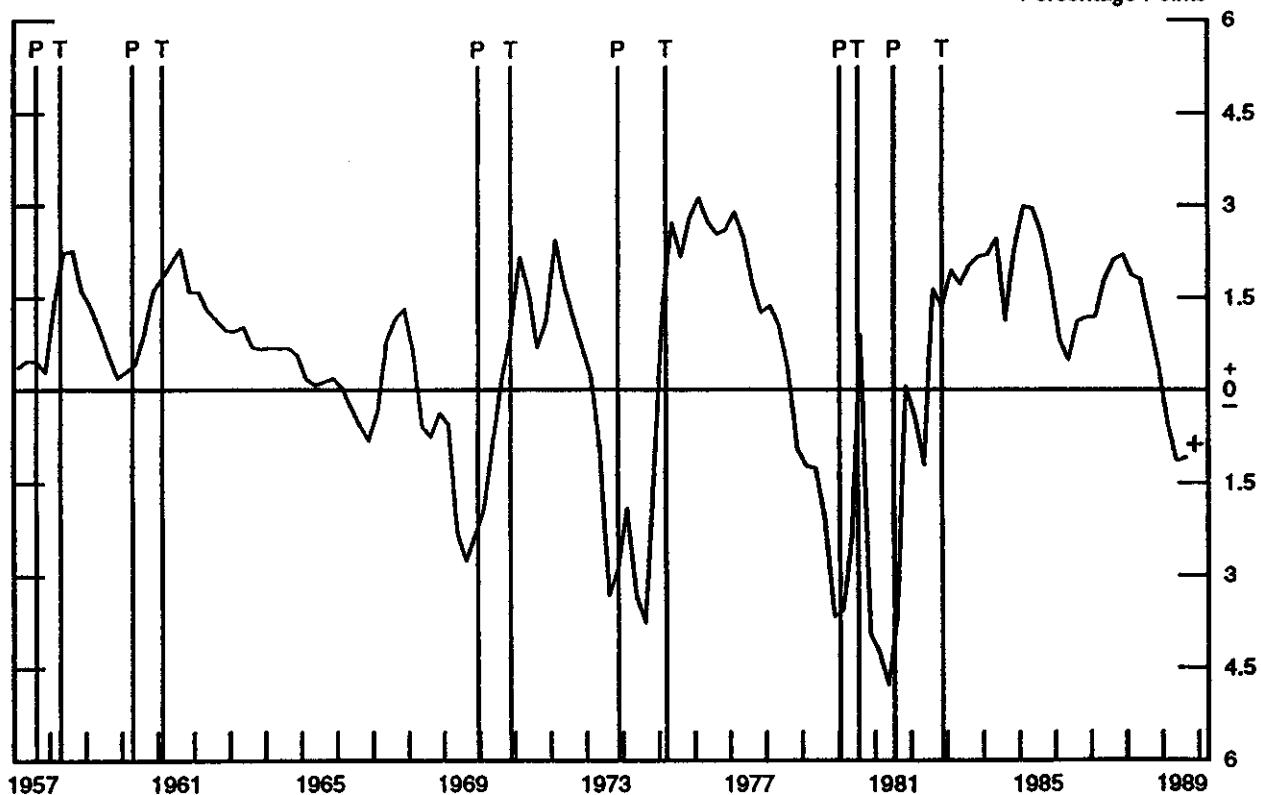
*November 14, 1989*

Chart 1

## The Yield Curve

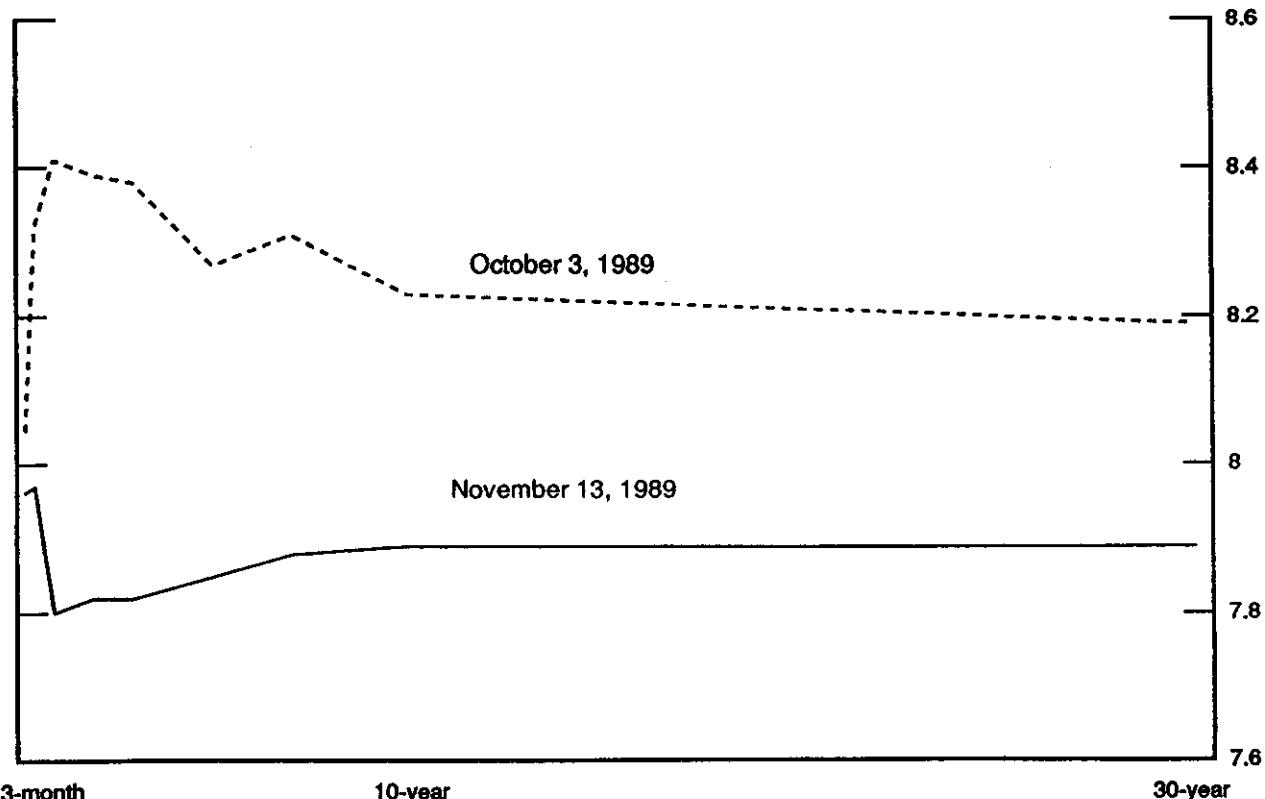
Spread Between 30-year T-Bond Yield and Federal Funds Rate\*

Quarterly Data  
Percentage Points



## Selected Treasury Yield Curves

Percent



3-month

10-year

30-year

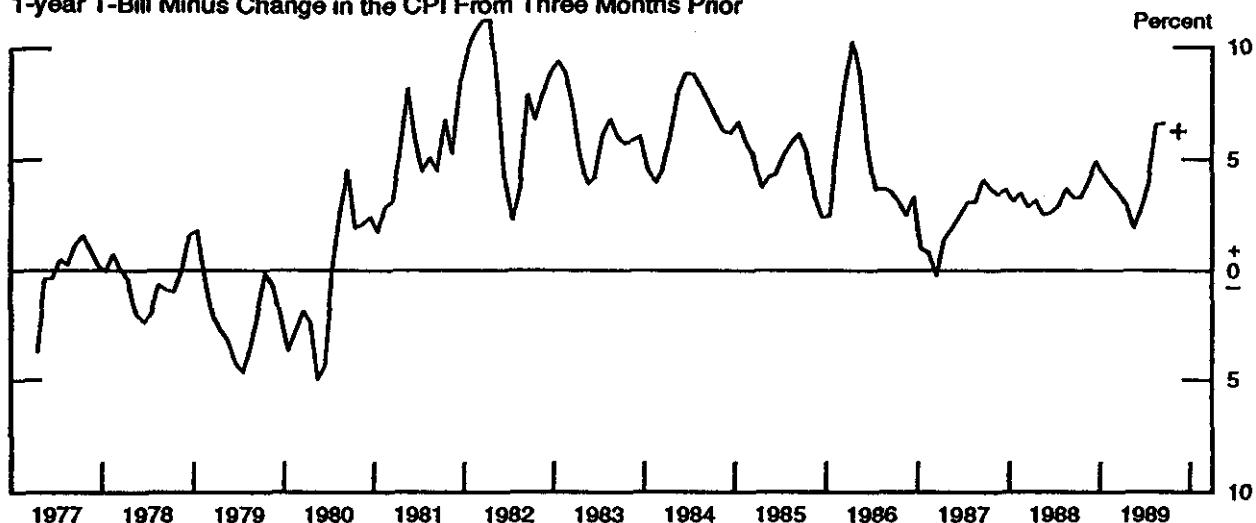
\*Spread between the 20-year Treasury constant maturity and the federal funds rate prior to 1977:Q2.  
Beginning in 1977:Q2, the 30-year Treasury constant maturity is used.

+ Denotes most recent weekly value.

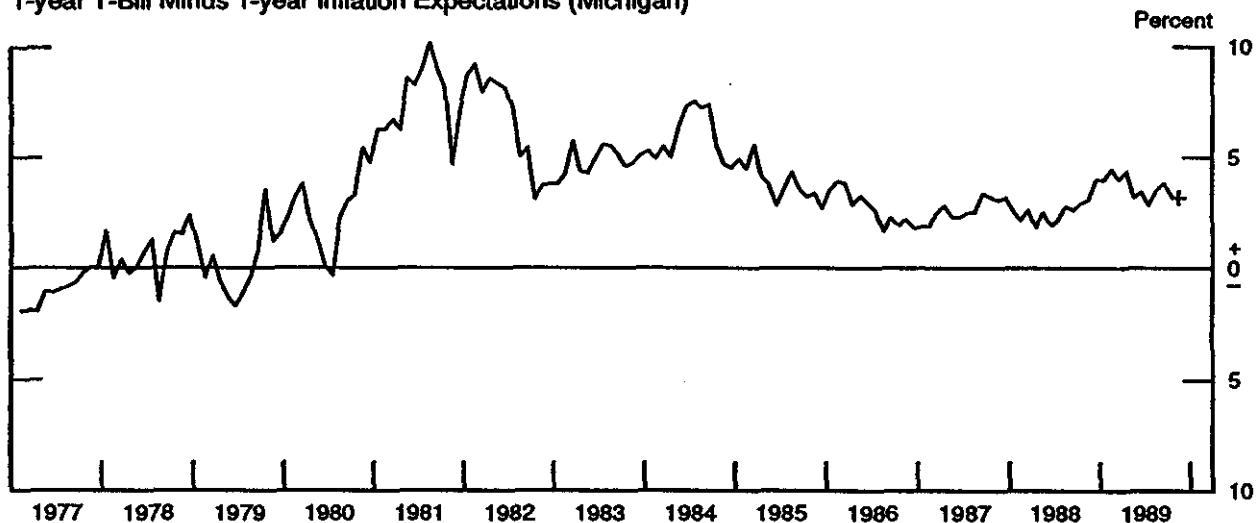
Chart 2

## Short-Term Real Interest Rates

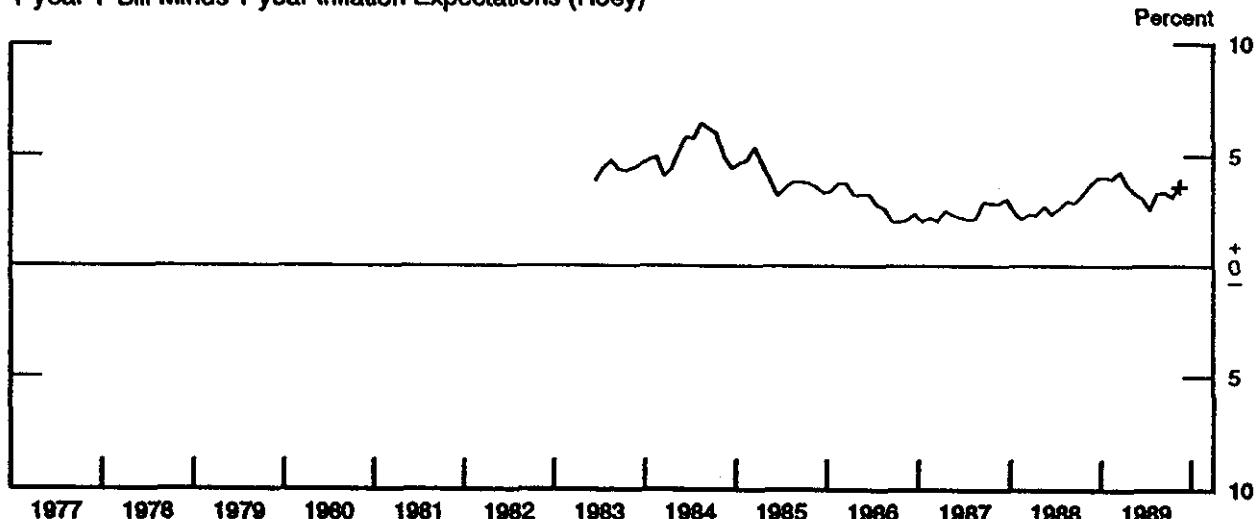
1-year T-Bill Minus Change in the CPI From Three Months Prior



1-year T-Bill Minus 1-year Inflation Expectations (Michigan)



1-year T-Bill Minus 1-year Inflation Expectations (Hoey)



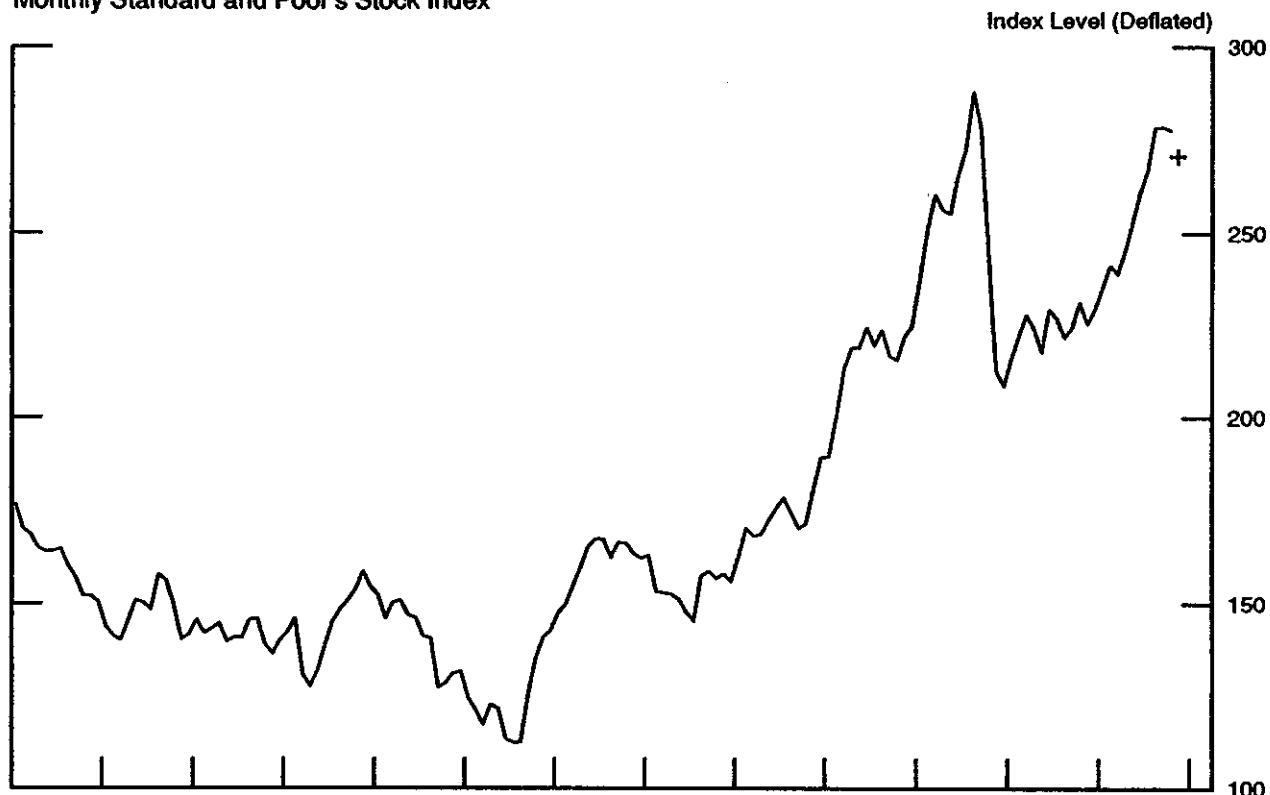
NOTE: Hoey Survey is not available prior to June 1983.

+ Denotes most recent weekly T-bill less most recent inflation expectation.

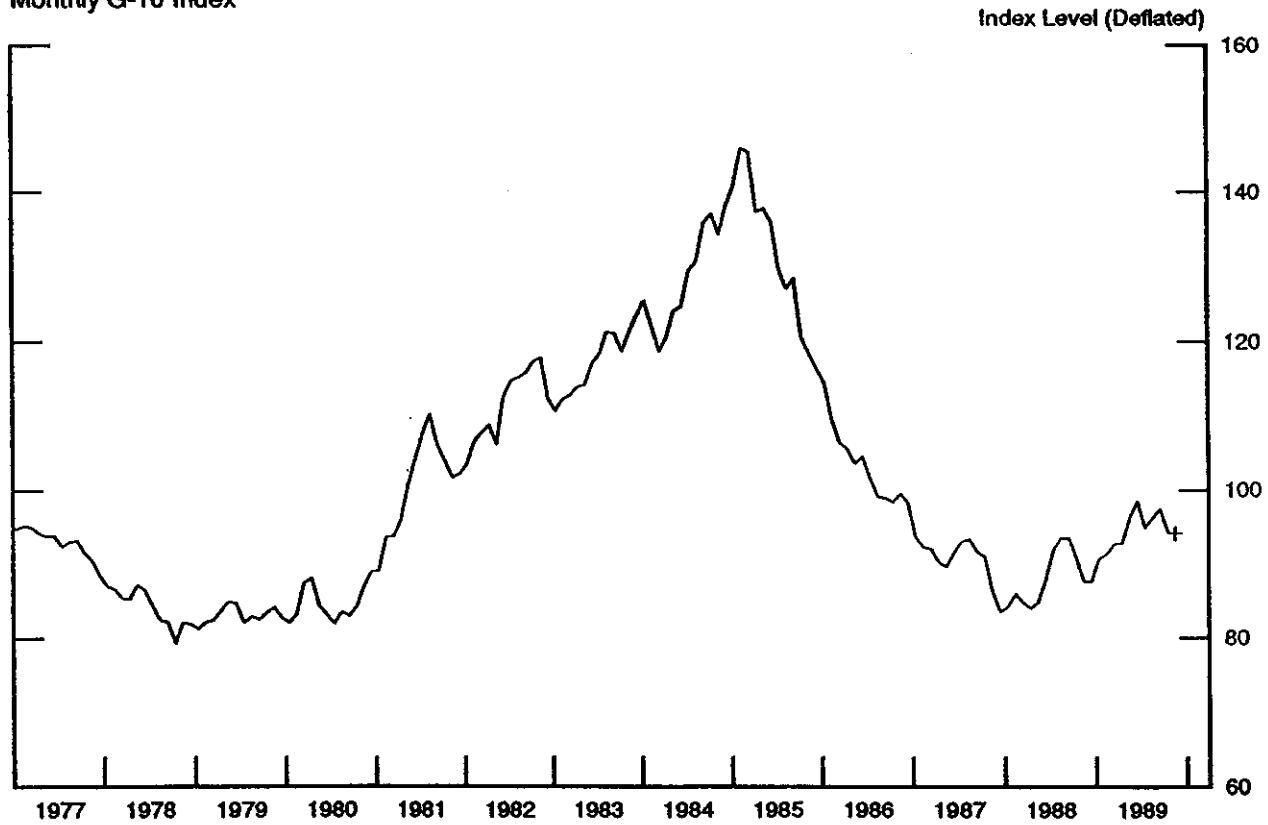
Chart 3

## Stock Indices and Exchange Value of the Dollar (Real Measures)

Monthly Standard and Poor's Stock Index



Monthly G-10 Index



+ Denotes most recent weekly deflated value

Chart 4

## Experimental Price Index for 21 Commodities(Weekly)

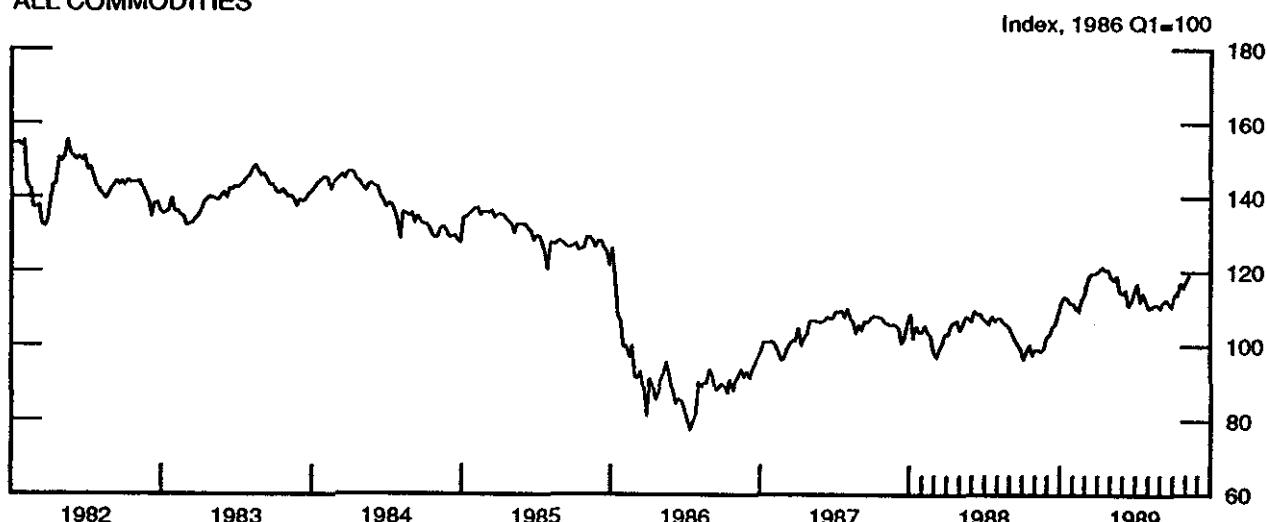
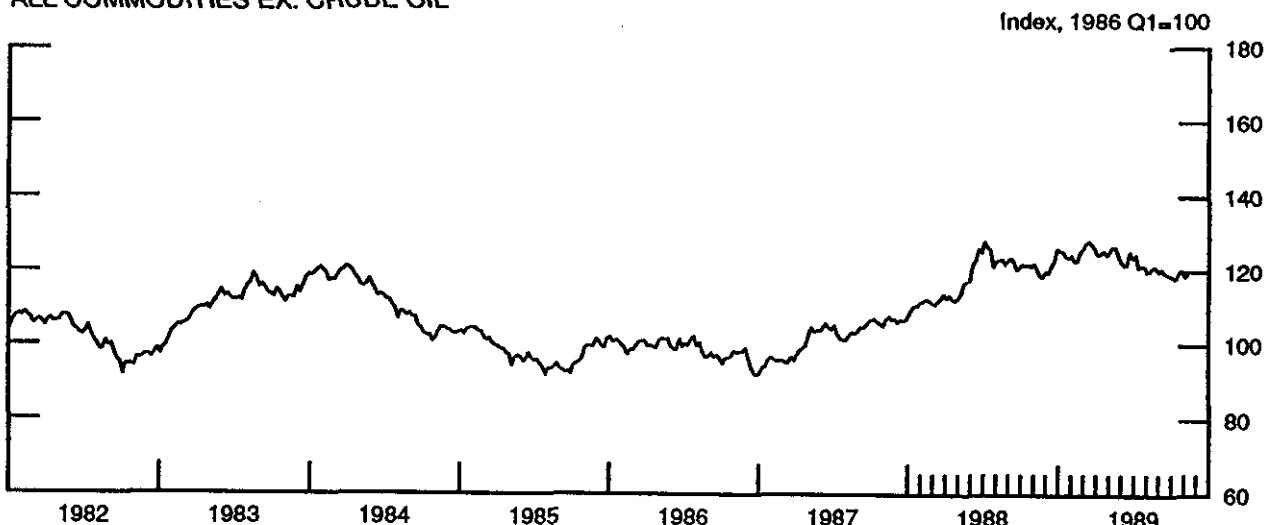
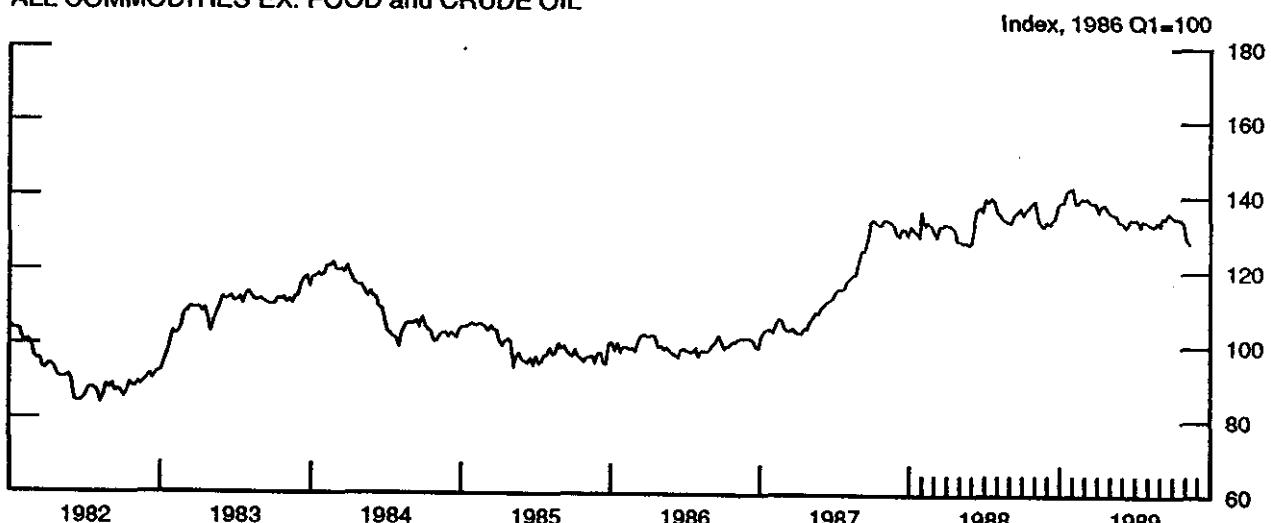
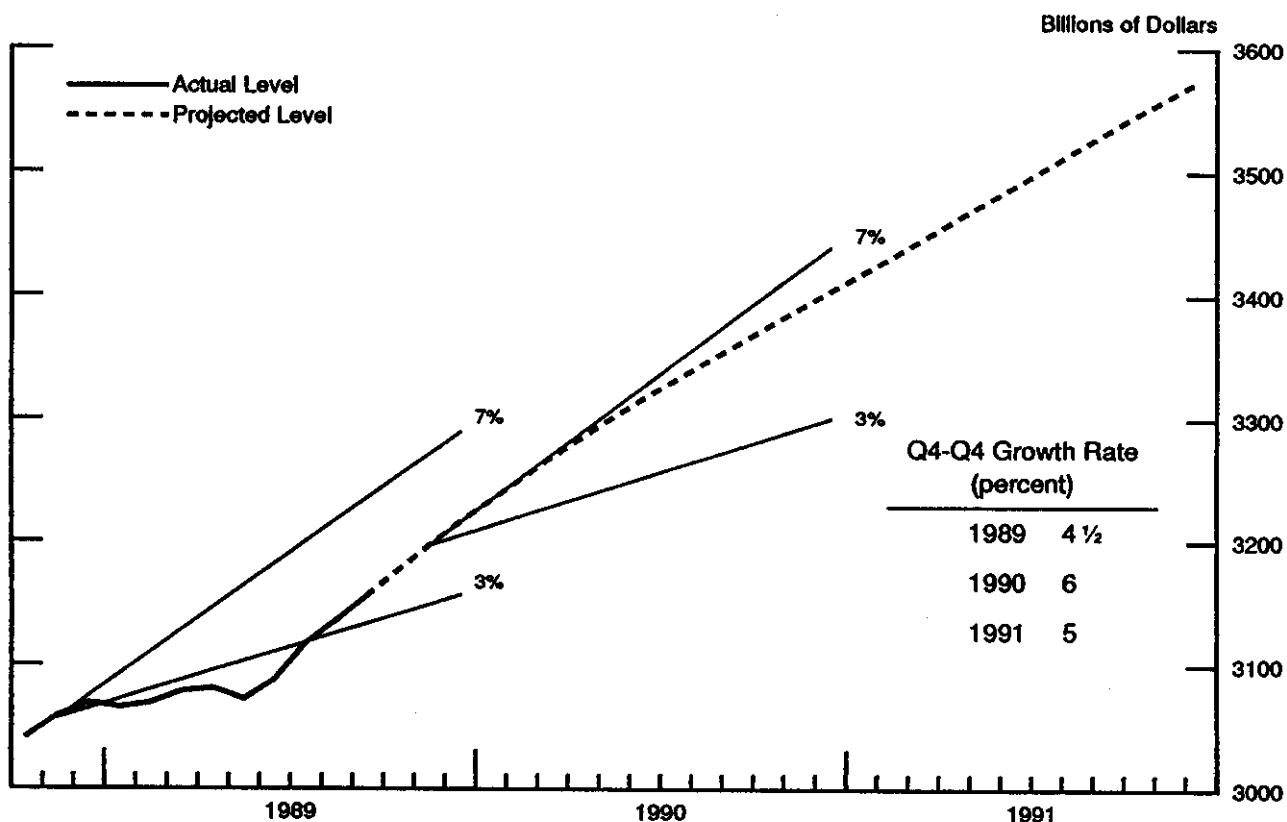
**ALL COMMODITIES****ALL COMMODITIES EX. CRUDE OIL****ALL COMMODITIES EX. FOOD and CRUDE OIL**

Chart 5

M2



M3

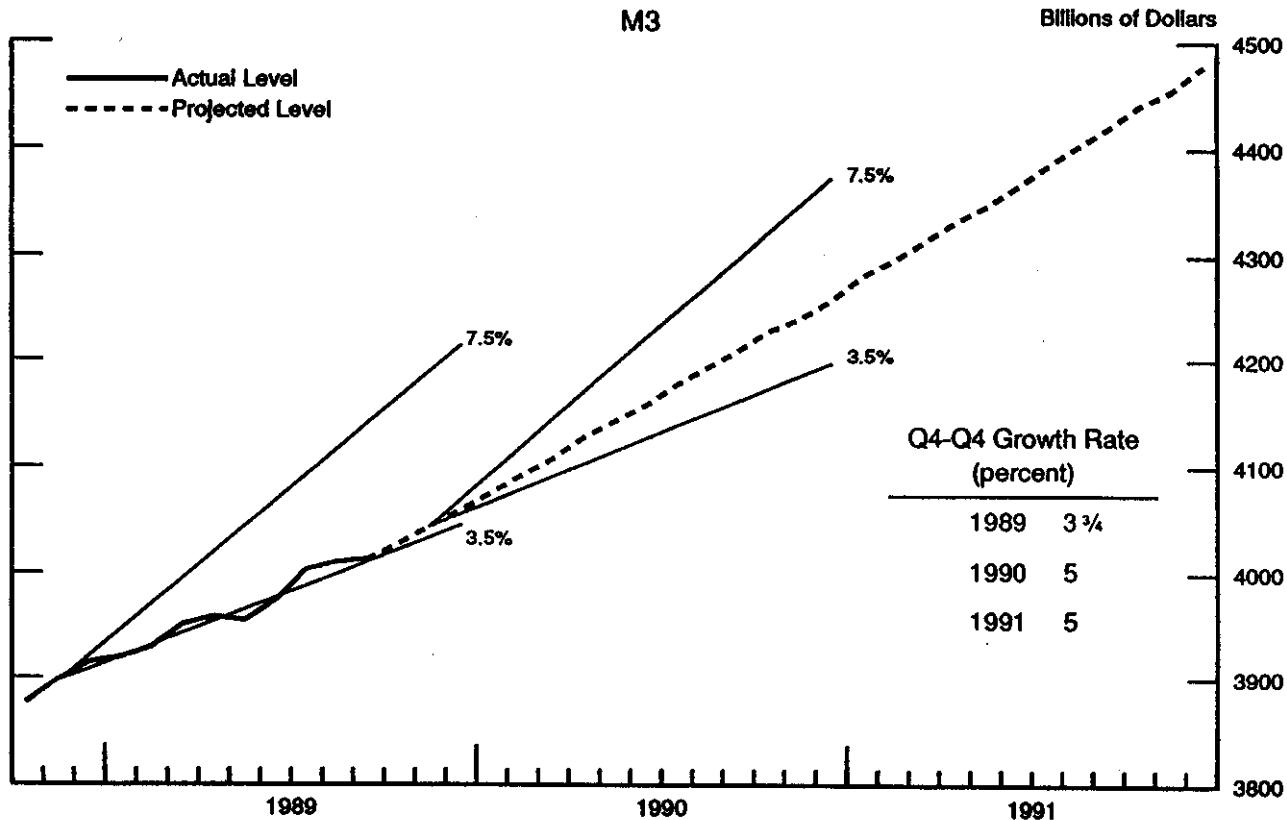
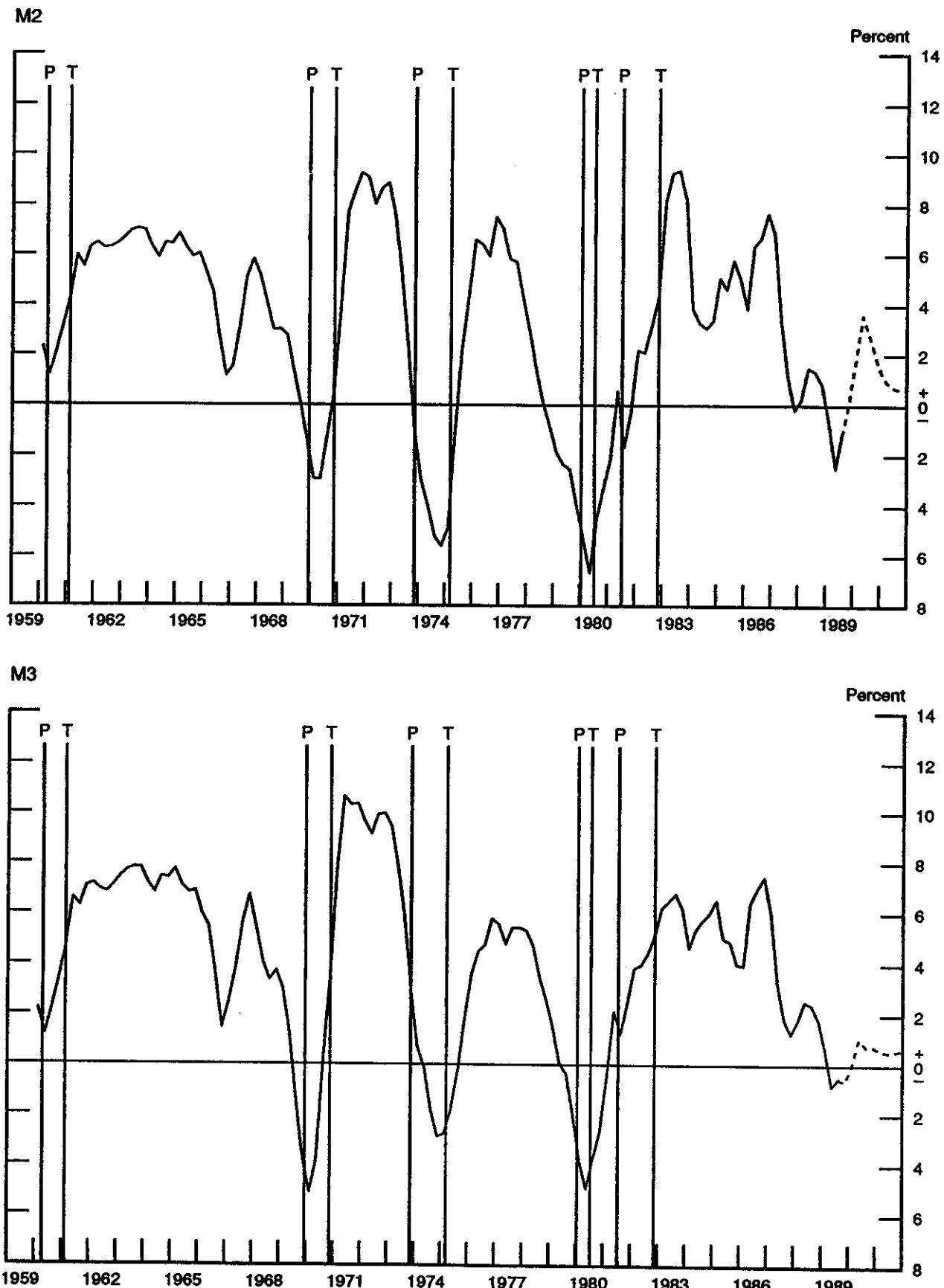


Chart 6

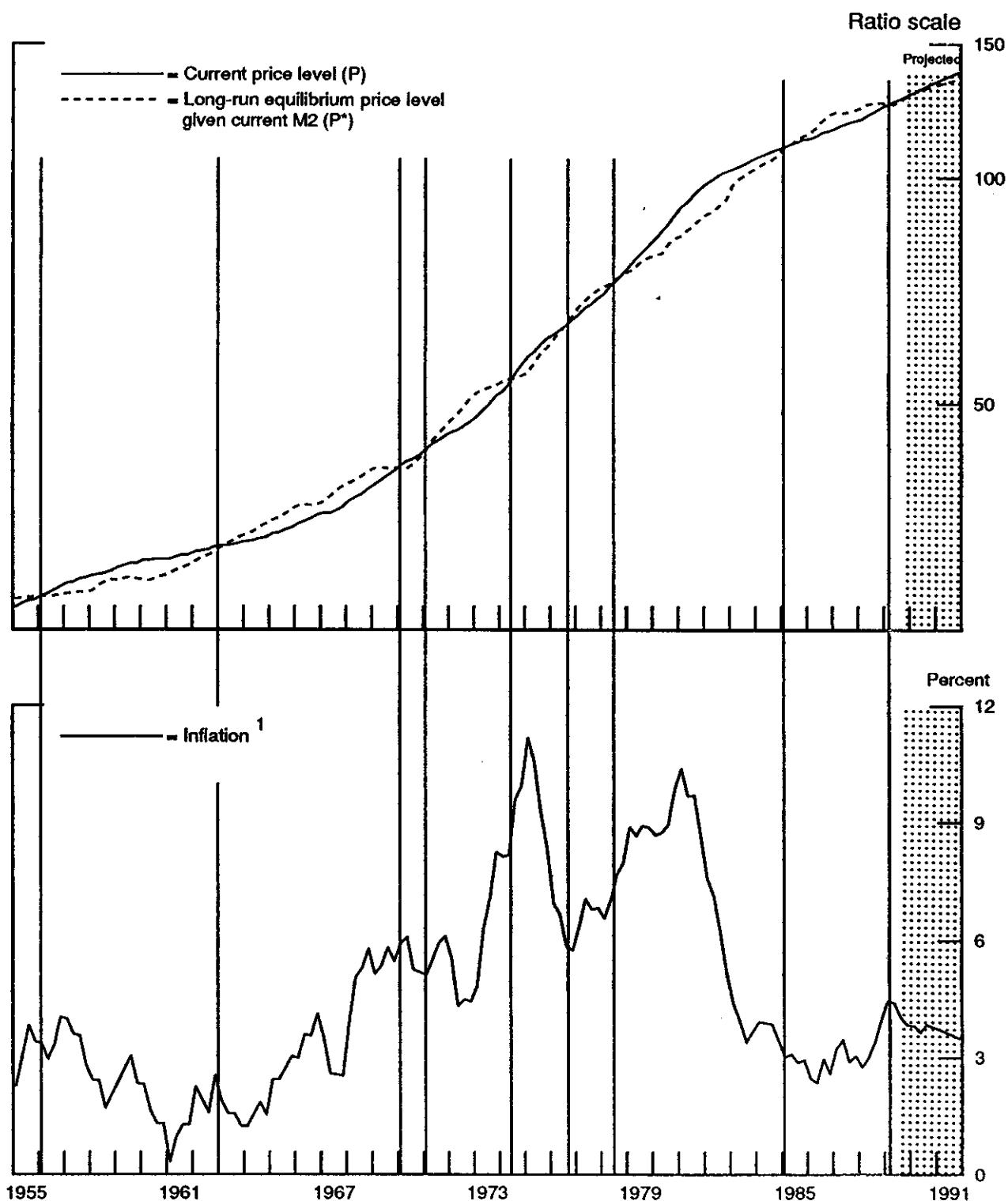
## Growth of Real M2 and M3



NOTE: Four-quarter moving average deflated by the CPI.

Chart 7

## Inflation Indicator Based on M2



1 Change in GNP implicit deflator over the previous four quarters.

Note: Vertical lines mark crossing of P and  $P^*$ .

For 1989:Q4 to 1991:Q4  $P^*$  is based on the staff M2 forecast and P is simulated using the price gap model developed by Hallman, Porter and Small.